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FINANCIAL STATEMENTS
OF THE
JENNINGS AMERICAN LEGION HOSPITAL, INC.
JENNINGS, LOUISIANA

AS OF NOVEMBER 30, 1997 AND NOVEMBER 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAR 11 1998

FREDERICK, NORTON, ROBERT & SCHULTHESS
CERTIFIED PUBLIC ACCOUNTANTS
(A PROFESSIONAL CORPORATION)
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jennings American Legion Hospital, Inc.
Jennings, Louisiana

Gentlemen:

We have audited the accompanying balance sheet of the Jennings American Legion Hospital, Inc., Jennings, Louisiana as of November 30, 1997 and 1996 and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jennings American Legion Hospital, Inc., Jennings, Louisiana as of November 30, 1997 and 1996, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 17, 1998, on our consideration of the District's internal control over reporting and our test of its compliance with certain provisions of laws, contracts, and grants.



Frederick, Norton, Robert & Schulthess

February 17, 1998

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

BALANCE SHEET
AS OF NOVEMBER 30, 1997 AND 1996

ASSETS

	<u>1997</u>	<u>1996</u>
CURRENT ASSETS:		
Cash	\$ 147,001	\$ 149,234
Patient Accounts Receivable (net of estimated uncollectibles of \$1,604,225 in 1997 and \$1,133,061 in 1996)	3,058,820	2,408,648
Estimated Third-Party Payor Settlements - Medicare & Medicaid	145,453	334,978
Other Receivables	103,127	111,942
Inventories	191,657	171,130
Prepaid expenses	97,769	80,571
Total Current Assets	<u>3,743,827</u>	<u>3,256,503</u>
ASSETS WHOSE USE IS LIMITED:		
By Board of Trustees for Capital Improvements and Expansion	3,295,978	3,133,050
By Loan Agreement	19,025	18,524
	<u>3,315,003</u>	<u>3,151,574</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land and Improvements	833,063	297,236
Buildings and Improvements	10,926,655	8,305,389
Moveable Equipment	6,199,463	5,936,958
Construction in Progress	7,374	972,837
Total Cost	17,966,555	15,512,420
Less: Accumulated Depreciation	(7,266,485)	(6,453,057)
Total Property, Plant and Equipment	<u>10,700,070</u>	<u>9,059,363</u>
TOTAL ASSETS	<u>\$ 17,758,900</u>	<u>\$ 15,467,440</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ 167,208	\$ 153,214
Bank Overdraft	0	63,289
Accounts Payable	686,568	448,394
Accrued Liabilities	140,667	127,642
Estimated Third-Party Payor Settlements - Medicare & Medicaid	419,448	318,170
Total Current Liabilities	<u>1,413,891</u>	<u>1,110,709</u>
LONG TERM DEBT	3,925,976	3,910,145
NET ASSETS - UNRESTRICTED	<u>12,419,033</u>	<u>10,446,586</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 17,758,900</u>	<u>\$ 15,467,440</u>

The accompanying notes are an integral part of these financial statements

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

STATEMENT OF OPERATIONS
FOR THE YEARS ENDED NOVEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
UNRESTRICTED REVENUES, GAINS and OTHER SUPPORT:		
Net Patient Service Revenue	\$ 13,937,653	\$ 11,930,397
Other Revenue	<u>1,210,848</u>	<u>465,142</u>
Total Revenues, gains and other support	<u>15,148,501</u>	<u>12,395,539</u>
EXPENSES:		
Salaries and Wages	4,399,137	4,284,539
Employee Benefits	773,227	793,746
Supplies	1,190,399	1,023,959
Purchased Services	2,921,659	2,744,148
Physician Fees	793,027	782,292
Bad Debt Expense	1,054,231	662,831
Depreciation Expense	838,567	768,330
Interest Expense	161,231	130,328
Insurance Expense	150,321	149,194
Other Expenses	<u>1,105,126</u>	<u>992,144</u>
Total Expenses	<u>13,386,925</u>	<u>12,331,511</u>
Operating Income	<u>1,761,576</u>	<u>64,028</u>
OTHER INCOME (EXPENSE):		
Unrestricted Donated Income	23,047	13,257
Income on Investments Whose Use is Limited by Board:		
For Capital Improvements and Expansions	<u>158,926</u>	<u>141,752</u>
Non-Operating Gains	<u>181,973</u>	<u>155,009</u>
INCREASE IN UNRESTRICTED NET ASSETS, BEFORE EXTRAORDINARY ITEMS	1,943,549	219,037
EXTRAORDINARY GAIN	<u>28,898</u>	<u>687,403</u>
INCREASE IN UNRESTRICTED ASSETS	\$ <u>1,972,447</u>	\$ <u>906,440</u>

The accompanying notes are an integral part of these financial statements

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED NOVEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
UNRESTRICTED NET ASSETS:		
Excess of Revenues Over Expenses	\$ 1,943,549	\$ 219,037
Extraordinary Gain	<u>28,898</u>	<u>687,403</u>
INCREASE IN UNRESTRICTED NET ASETS	1,972,447	906,440
NET ASSETS AT BEGINNING OF YEAR	<u>10,446,586</u>	<u>9,540,146</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,419,033</u>	<u>\$ 10,446,586</u>

The accompanying notes are an integral part of these financial statements

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,943,549	\$ 219,037
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Extraordinary Gain	28,898	687,403
Depreciation	838,567	768,330
(Increase) Decrease in Patient Accounts Receivable	(650,172)	(50,099)
(Increase) Decrease in Net Amounts Due from Third-Party Payors	290,803	45,168
(Increase) Decrease in Inventory and Other Current Assets	(28,910)	(97,532)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>201,904</u>	<u>(810,462)</u>
 Net Cash Provided By Operating Activities and Gains and Losses	 <u>2,624,639</u>	 <u>761,845</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(2,479,274)	(1,903,601)
Cash Invested in Assets Whose Use is Limited	<u>(163,429)</u>	<u>(1,270,139)</u>
 Net Cash Used by Investing Activities	 <u>(2,642,703)</u>	 <u>(3,173,740)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Long-Term Debt	(153,470)	(82,541)
Proceeds From New Debt	<u>169,301</u>	<u>2,500,000</u>
 Net Cash Provided By Financing Activities	 <u>15,831</u>	 <u>2,417,459</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (2,233)	 5,564
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>149,234</u>	 <u>143,670</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>147,001</u>	\$ <u>149,234</u>

SUPPLEMENTAL DISCLOSURES:

1. Accounting Policies: Cash Equivalents - the Hospital considers only unrestricted cash deposits to be cash and cash equivalents.
2. Interest Paid: During 1997 and 1996 the Hospital paid interest of \$ 268,646 and \$ 175,707 respectively.
3. Income Taxes: The Hospital is a Tax Exempt Organization under the rules of the IRC of 1954 Section 501 (c)3.
4. Acquisitions: During 1997 and 1996 the Hospital capitalized interest on construction in progress in the amounts of \$ 107,415 and \$ 45,379 respectively.

The accompanying notes are an integral part of these financial statements

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NATURE OF OPERATIONS:

Jennings American Legion Hospital, Inc. is a not for profit hospital which provides inpatient, outpatient, home health and emergency care services to the general public. The Hospital is located in Jennings, Louisiana and provides services primarily for residence of Southwestern Louisiana. Admitting physicians are primarily practitioners in the local area.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Basis of Accounting** - The records of the hospital are maintained on the accrual basis of accounting in accordance with American Hospital Association recommendations.
- B. **Allowance for uncollectibles** - Estimated uncollectible patient accounts receivable are based on the hospitals prior experience with bad debts and estimated contractual allowances and PPO discounts in account receivable balances.
- C. **Inventories** - Inventories are valued at the lower of cost or market (on the first-in, first out method).
- D. **Property, Plant and Equipment** - These assets are stated at cost. The plant and equipment are depreciated on the straight-line method over their estimated useful lives. The following is a schedule of activity in the major classifications:

	<u>11-30-96</u>	<u>Additions</u>	<u>Deletions</u>	<u>11-30-96</u>
Land	\$ 233,697	\$ 533,575	\$ -0-	\$ 767,272
Land Improvements	63,539	2,252	-0-	65,791
Buildings & Improvements	8,305,389	2,623,266	2,000	10,926,655
Equipment	5,936,958	287,862	25,357	6,199,463
Construction in progress	972,837	1,555,803	2,521,266	7,374

- E. **Use of estimates** - The preparation of Jennings American Legion Hospital's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. RECEIVABLES

- A. **Patient Accounts Receivable** - Patient accounts receivable reflect total amounts due from individuals and third parties.
- B. **Estimated third-party payor settlements (Medicare and Medicaid)** - During the billing cycle Medicare and Medicaid patients are billed at normal rates. Each month an estimate is made as to the actual amounts due from the third party based on prior year cost reports and Medicare and Medicaid revenues. As payments are received patient accounts are credited and adjustments to amounts in allowance for uncollectibles are recorded. After current cost reports are completed and pay schedules updated, differences in estimates are settled. Amounts in this asset account reflect estimated settlement due to the hospital.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. NOTES PAYABLE

Notes payable consist of the following at November 30, 1997 and 1996:

	<u>1997</u>	<u>1996</u>
Note payable due General Electric Capital Corporation, collateralized by real estate, interest at 8.375%	\$ 132,281	\$ 148,626
Note payable due The Trust Company of Louisiana collateralized by all assets and assigned revenues at 7%	2,342,501	2,452,273
Note payable due Hargroder Living Trust of 1995 collateralized by real estate, interest at 8.25 %	181,988	0
Note payable due Farmer's Home Administration, collateralized by real estate, interest at 5.625%	<u>1,436,414</u>	<u>1,462,460</u>
	4,093,184	4,063,359
Less: Current portion	<u>167,208</u>	<u>153,214</u>
	<u>\$ 3,925,976</u>	<u>\$ 3,910,145</u>

Aggregate annual principal payments through November 30, 2002 are as follows:

<u>YEAR</u>	
1998	167,208
1999	178,534
2000	190,487
2001	205,321
2002	220,503

4. CAPITAL

The hospital is a non-profit corporation, organized under the laws of the State of Louisiana, without any capital stock.

5. INCOME TAXES

The hospital is exempt from Federal Income Tax under Section 501(c)3 of the 1954 Internal Revenue Code.

6. DEPOSIT AND INVESTMENT RISK

	<u>1997</u>	<u>1996</u>
Deposits insured by the FDIC	\$ 106,719	\$ 107,911
Uninsured uncollateralized deposits	\$ 711,770	\$ 594,262
Repurchase agreements which are uninsured and unregistered, with securities held by counterparty, not in hospital's name	\$ 639,494	\$ 2,107,321
Treasury Notes	\$ 2,004,021	\$ -0-
Treasury Bills	\$ -0-	\$ 491,214

Investments are carried at their cost or amortized cost when appropriate. Carrying value of investments at November 30, 1997 and 1996 approximate market value. All securities are available for sale.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. COMPENSATED ABSENCES

The hospital does not record a provision for accrued sick pay. Accordingly the financial statements do not reflect an expense or the related liability. Vested vacation time is accrued at current pay rates. The amount accrued at 11/30/97 and 11/30/96 respectively was \$ 140,667 and \$ 127,642.

8. NET PATIENT REVENUE

Patient revenues on the financial statements at 11/30/97 and 11/30/96 are stated net of estimated third party contractual adjustments.

9. EMPLOYEE BENEFITS

The hospital offers its employees a cafeteria plan under IRC section 125 and purchased annuities under reduced salary agreements under IRC section 403B.

10. ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

MEDICARE & MEDICAID

Estimated third-party payor settlements (Medicare and Medicaid) - During the billing cycle Medicare and Medicaid patients are billed at normal rates. Each month an estimate is made as to the actual amounts due from the third party based on prior year cost reports and Medicare and Medicaid revenues. As payments are received patient accounts are credited and adjustments to amounts in allowance for uncollectibles are recorded. After current cost reports are completed and pay schedules updated, differences in estimates are settled. Amounts in this liability account reflect estimated settlement due from the hospital.

11. CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Jennings, Louisiana. The Hospital grants credits without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

As disclosed in note 6 the Hospital had deposits in major financial institutions which exceeded Federal Depository Insurance limits. This financial institutions have a strong credit rating and management believes that credit risk related to these deposits is minimal.

12. RECLASSIFICATIONS

Certain 1996 amounts have been reclassified to conform to the 1997 presentation.

13. SCHOLARSHIPS

At November 30, 1997 the hospital projected its scholarship commitment for future years as follows:

Year Ended	
<u>November 30</u>	
1998	\$ 10,250
1999	<u>1,500</u>
Total	<u>\$ 11,750</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. FUTURE INCOME GUARANTEES

As part of its physician recruiting practice, the hospital sometimes offers certain physicians incentives in the form of guaranteed minimum income for such physicians for a period of time. The amounts of such payments are not determinable because they are directly effected by the physicians medical practice receipts. The maximum amounts which may be paid in the future under such contracts was calculated at November 30, 1997 to be:

<u>Year Ended</u> <u>November 30</u>	
1998	\$ 344,500
1999	<u>140,000</u>
Total	<u>\$ 484,500</u>

15. EXTRAORDINARY GAIN AND LOSS

Rural hospitals with less than 60 beds that have a service area of less than twenty thousand in population are considered to be exempt from the TEFRA Medicaid limitations. As of 11/30/95 the Health Care Finance Administration had not yet approved such exemption. Funds received through 11/30/95 were recorded correctly in a liability account since the funds were not hospital assets until the Health Care Finance Administration approved such exemption. During the fiscal year ended 11/30/96 the Health Care Finance Administration approved the exemption from the TEFRA Medicaid limitations. The amount included as extraordinary gains during fiscal year ended was limited to cash received. The hospital requested the opening of 1991 cost report to obtain Medicaid TEFRA funds which if opened, would have been paid to them. During the fiscal year ended November 30, 1997 the 1991 cost report was opened and the final payment of TEFRA funds was made and recorded as an extraordinary gain of \$ 178,898.

The hospital sustained an extraordinary loss in the amount of \$ 150,000 which related to a settlement which was outside of the business insurance coverage.

16. RELATED PARTY TRANSACTIONS

The hospital purchased services from a closely held corporation whose owner is also a director of the hospital in the amount of \$ 125,956 and \$ 114,314 in 1997 and 1996 respectively. During the fiscal year ended 11/30/97 and 11/30/96 the hospital purchased insurance from two closely held corporations whose owners are members of the board of directors in the amount of \$ 611,447 and \$531,056, respectively and paid \$ 6,600 rent in each fiscal years for office space to an individual who is a member of the board of directors.

17. LEASES

Operating equipment lease expense for the year ended November 30, 1997 and 1996 was \$ 101,422 and \$ 107,444. The minimum rentals for such leases during the same corresponding periods was \$ 94,447 and \$ 94,822. Future minimum lease payments on noncancelable equipment leases in excess of one year are as follows:

For the Fiscal Year Ended November 30, 1998	\$ 91,901
1999	38,858

The hospital entered into a capital lease agreement with Alcon Laboratories January 27, 1997 for the lease purchase of surgical equipment in the amount of \$ 53,948 containing an annual interest rate of 9.25 % for a term of 3 years. The payments are based on number of procedures performed. At November 30, 1997 the total minimum future lease payments including interest of \$ 6,552 is \$ 50,508.

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. ASSETS WHOSE USE IS LIMITED:

	<u>1997</u>	<u>1996</u>
Cash Accounts	\$ 671,488	\$ 553,039
Repurchase Agreements	639,494	2,107,321
Treasury Notes	2,004,021	-0-
Treasury Bills	-0-	491,214
Total	<u>\$ 3,315,003</u>	<u>\$ 3,151,574</u>

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

On December 1, 1995, the Jennings American Legion Hospital, Inc. adopted SFAS no. 107, "Disclosure about Fair Value of Financial Instruments" which requires the disclosure of the fair market value of off- and on-balance sheet financial instruments. The following summarizes the carrying amounts and estimated fair value of the hospital's financial instruments for which it is practicable to estimate that value as of November 30, 1997.

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Cash	147,001	147,001
Assets whose use is limited	3,315,003	3,315,003
Long term debt	4,093,184	3,592,506

The following methods and assumptions were used to estimate the fair value of the above financial instruments included above:

Cash and Assets Whose Use is Limited

The carrying amount is assumed to approximate fair value because of the short maturities of those instruments.

Long-Term Debt

The fair value of the hospital's long-term debt is estimated based on the local current rates offered to the hospital for debt of the same maturities.

20. FUNCTIONAL EXPENSES

	<u>11/30/97</u>	<u>11/30/96</u>
Health care services	\$ 7,825,673	\$ 7,203,706
General and administrative	<u>5,561,252</u>	<u>5,127,805</u>
Total	<u>\$ 13,386,925</u>	<u>\$ 12,331,511</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
Jennings, Louisiana

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. OTHER OFF BALANCE SHEET RISK

The hospital purchases commercial insurance to reduce the risk of loss due to liability claims and loss due to physical damage to fixed assets should they occur.

22. LITIGATION

The Jennings American Legion Hospital, Inc. has been sued by an employee over an attack committed by a third person on the grounds of the hospital. This matter is covered by the hospital's liability insurance. Management indicated that Council feels that the hospital has a very good chance of successfully defending this matter. The deductible per claim on the policy is \$ 1000.00.

Jennings American Legion Hospital, Inc. is involved in several malpractice claims. Management believes that these claims, if found to be valid, will fall completely under the coverage of their insurance carrier. The deductible per claim on the policy is \$ 1000.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Jennings American Legion Hospital, Inc.

We have audited the financial statements of Jennings American Legion Hospital, Inc. as of and for the year ended November 30, 1997, and have issued our report thereon dated February 17, 1998. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jennings American Legion Hospital, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We did note certain immaterial instances of noncompliance that we have reported to management of Jennings American Legion Hospital, Inc. in a separate letter dated February 17, 1998.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jennings American Legion Hospital, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We

noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the design and operation of the internal control over financial reporting that we have reported to management of Jennings American Legion Hospital, Inc. in a separate letter dated February 17, 1998.

This report is intended for the information of the Board of Directors, Management and the Legislative Auditor. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script that reads "Frederick, Norton, Robert & Schulthess".

Frederick, Norton, Robert & Schulthess

February 17, 1998

FREDERICK, NORTON, ROBERT & SCHULTHESS

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REPORT ON ADDITIONAL INFORMATION

Board of Directors
Jennings American Legion Hospital, Inc.
Jennings, Louisiana

Our report on our audit of the basic financial statements of Jennings American Legion Hospital, Inc. for November 30, 1997 and 1996 appear on page one. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Frederick, Norton, Robert & Schulthess

February 17, 1998

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULE OF ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
THIRD-PARTY PAYOR RECEIVABLES:		
Medicare	\$ 0	\$ 0
Medicaid	<u>145,453</u>	<u>334,978</u>
Total Third-Party Payor Receivables	<u>145,453</u>	<u>334,978</u>
 THIRD-PARTY PAYOR LIABILITIES:		
Medicare	<u>(419,448)</u>	<u>(318,170)</u>
Total Third-Party Payor Liabilities	<u>(419,448)</u>	<u>(318,170)</u>
 NET ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	 <u><u>\$ (273,995)</u></u>	 <u><u>\$ 16,808</u></u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULE OF ASSETS WHOSE USE IS LIMITED
FOR THE YEARS ENDED NOVEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
ASSETS WHOSE USE IS LIMITED:		
Restricted by Board of Trustees For Capital Improvements and Expansions:		
Funded Depreciation - Savings	\$ 103,038	\$ 45,987
Funded Depreciation - Asset Aquisitions Account	25,748	0
Funded Depreciation - Repurchase Agreements	1,158,170	2,107,321
MOB Construction Checking	5,001	5,000
Restricted - Treasury Bill	0	491,214
Amount on Deposit with Trustee	0	483,528
Funded Depreciation - Treasury Note	<u>2,004,021</u>	<u>0</u>
Total	3,295,978	3,133,050
Restricted by Loan Agreement:		
Restricted - Capital Improvements Reserve	<u>19,025</u>	<u>18,524</u>
TOTAL ASSETS WHOSE USE IS LIMITED	<u><u>\$ 3,315,003</u></u>	<u><u>\$ 3,151,574</u></u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULE OF PATIENT SERVICES REVENUES BY PATIENT TYPE AND PAYOR
FOR THE YEARS ENDED NOVEMBER 30, 1997 AND 1996

	1997				1996
	MEDICARE	MEDICAID	OTHER	TOTAL	TOTAL
INPATIENT:					
Room & Board - ICU	\$ 298,660	\$ 19,865	\$ 110,970	\$ 429,495	\$ 512,925
Room & Board - Med. &	1,075,393	257,598	325,534	1,658,525	1,524,170
Room & Board - OB/GYN	8,525	174,075	154,000	336,600	290,525
Room & Board - Nursery	0	85,859	53,450	139,309	118,610
Delivery Room	655	118,425	76,445	195,525	173,635
Operating Room	217,941	104,591	238,936	561,468	483,798
Recovery Room	49,425	43,649	137,664	230,738	128,261
Anesthesia	97,607	37,620	110,561	245,788	233,414
Orthopedics	257,407	4,642	86,016	348,065	126,174
Emergency Room	361,430	62,070	179,271	602,771	408,813
Central Supply	1,117,541	445,009	689,938	2,252,488	1,897,983
Equipment	558,568	118,688	200,088	877,344	858,487
Laboratory	941,611	261,996	420,080	1,623,687	1,803,326
EKG	92,941	6,370	31,456	130,767	132,159
Treadmill	825	0	1,650	2,475	3,150
EEG	2,400	1,000	1,400	4,800	5,780
Radiology	229,452	45,194	102,981	377,627	332,529
Nuclear Medicine	23,660	2,950	7,755	34,365	36,543
CAT Scan	159,352	25,565	74,770	259,687	226,602
Ultrasound	135,631	20,419	55,564	211,614	242,231
M.R.I.	925	0	3,705	4,630	4,050
Pharmacy	1,195,530	319,578	530,869	2,045,977	1,910,778
Respiratory Therapy	461,503	178,628	163,181	803,312	698,083
Speech Therapy	0	0	0	0	70
Physical Therapy	52,547	5,550	10,992	69,089	32,962
Total Inpatient	<u>7,339,529</u>	<u>2,339,341</u>	<u>3,767,276</u>	<u>13,446,146</u>	<u>12,185,058</u>
SKILLED NURSING:					
Medical/Surgical Unit	267,120	0	1,440	268,560	94,080
Surgery	4,089	0	0	4,089	444
Recovery Room	1,189	0	0	1,189	0
Anesthesia	2,617	0	0	2,617	348
Orthopedics	2,082	0	0	2,082	0
Materials Management	110,111	0	8	110,119	46,371
Equipment	37,039	0	0	37,039	20,796
Laboratory	62,741	0	0	62,741	28,336
EKG	455	0	0	455	438
EEG	0	0	0	0	0
Radiology	12,254	0	0	12,254	4,712
Nuclear Medicine	2,190	0	0	2,190	0
CAT Scan	12,145	0	0	12,145	1,425
Ultrasound	3,032	0	0	3,032	2,251
Pharmacy	189,347	0	198	189,545	76,698
Respiratory Therapy	57,504	0	0	57,504	24,990
Physical Therapy	47,142	960	0	48,102	5,454
Total Skilled Nursing	<u>811,057</u>	<u>960</u>	<u>1,646</u>	<u>813,663</u>	<u>306,343</u>
OUTPATIENT:					
Medical/Surgical Unit	46,207	11,984	52,561	110,752	60,930
Delivery Room	200	2,206	1,201	3,607	1,855
Operating Room	222,962	85,946	252,383	561,291	489,761
Recovery Room	31,525	30,811	91,326	153,662	94,149
Anesthesia	73,499	35,921	121,804	231,224	227,954
Orthopedics	37,824	11,097	104,042	152,963	19,874
Emergency Room	314,033	277,893	858,237	1,450,163	999,348
Observation	46,124	15,895	47,262	109,281	81,755
Central Supply	185,279	76,459	341,554	603,292	448,342
Equipment	70,572	22,667	93,784	187,023	135,399
Laboratory	792,731	219,912	369,596	1,382,239	1,552,881
EKG	46,085	7,735	34,836	88,656	68,973
Treadmill	27,775	3,025	26,675	57,475	41,200
EEG	1,400	6,600	5,800	13,800	15,300
Radiology	365,738	115,809	510,181	991,728	858,685
Nuclear Medicine	62,045	5,535	42,774	110,354	102,910
CAT Scan	4,010	120	6,930	11,060	4,655
Ultrasound	2,485	361	3,744	6,590	6,073
M.R.I.	99,250	36,440	215,925	351,615	247,050
Pharmacy	204,378	58,874	220,203	483,455	324,763
Respiratory Therapy	21,324	8,492	17,160	46,976	44,833
Physical Therapy	432	0	606	1,038	102
Dietary	0	0	655	655	90
Total Outpatient	<u>2,655,878</u>	<u>1,033,782</u>	<u>3,419,239</u>	<u>7,108,899</u>	<u>5,826,882</u>
HOME HEALTH:	<u>1,276,205</u>	<u>37,199</u>	<u>21,168</u>	<u>1,334,572</u>	<u>1,233,997</u>
Total Patient Service Revenues	\$ <u>12,082,669</u>	\$ <u>3,411,282</u>	\$ <u>7,209,329</u>	22,703,280	19,552,280
Adjustments and Allowances:					
Contractual Adjustments				(7,326,106)	(6,644,140)
Other Allowances				(1,439,521)	(977,744)
NET PATIENT SERVICE				\$ <u>13,937,653</u>	\$ <u>11,930,397</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULE OF OTHER OPERATING REVENUE
FOR THE YEARS ENDED NOVEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
OTHER OPERATING REVENUE:		
Sale of Medical Records	\$ 2,871	\$ 2,731
Telephone & Television	172	237
Employee Meals	21,392	18,810
Visitor Meals	3,144	1,989
Office Rental	27,195	25,775
Lab Service Revenue	36,013	40,985
Agency Billing	22,658	0
Sale of Scrap	520	30
Miscellaneous Revenue	1,269	511
Disproportionate Share Payment	504,697	0
Operating Interest Income	723	1,081
V. A. Clinic Revenue	487,135	322,279
Emergency Room Grants	25,000	50,714
Medical Office Building Rental	<u>78,059</u>	<u>0</u>
TOTAL OTHER OPERATING REVENUE	\$ <u>1,210,848</u>	\$ <u>465,142</u>

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT AND CATEGORY
FOR THE YEARS ENDED NOVEMBER 30, 1997 AND 1996

	1997					1996
	SALARIES	SUPPLIES	PURCHASE SERVICE	OTHER	TOTAL	TOTAL
PATIENT SERVICES:						
Nursing Administration	\$ 107,432	\$ 0	\$ 1,268	\$ 8,254	\$ 116,954	\$ 117,311
Intensive Care Unit	311,559	13,478	8,709	3,416	337,162	344,689
Medical/Surgical	718,023	34,232	150	4,702	757,107	735,285
OB/GYN	307,733	12,613	1,004	1,664	323,014	320,404
Nursery	97,612	9,564	0	521	107,697	102,220
Delivery Room	0	0	0	0	0	145
Operating Room	237,280	130,734	0	34,790	402,804	339,974
Recovery Room	20,183	1,450	0	0	21,633	21,170
Orthopedics	0	145,857	0	22,470	168,327	36,433
Emergency Room	318,075	64,722	754,577	1,276	1,138,650	1156,529
Out Patient	82,437	2,500	0	208	85,145	91,703
Central Supply	0	1,530	855,472	536	857,538	708,008
Laboratory	320,327	213,701	156,541	79,047	769,616	772,677
EKG	0	429	0	0	429	483
Treadmill	0	1,995	0	0	1,995	1,989
EEG	0	0	12,900	0	12,900	15,315
Radiology	169,775	119,954	42,650	77,234	409,613	368,400
Nuclear Medicine	0	20,351	36,736	0	57,087	69,975
CAT Scan	511	-6	130,020	0	130,525	116,608
Ultrasound	44,188	0	0	0	44,188	41,609
M.R.I.	0	0	177,750	0	177,750	141,120
Pharmacy	0	6,533	707,136	0	713,669	584,412
Respiratory Therapy	157,297	52,847	1,370	11,082	222,596	251,609
Anesthesia	0	14,248	0	4,060	18,308	16,019
Speech Therapy	0	0	0	0	0	50
Physical Therapy	0	0	99,765	0	99,765	32,245
Home Health	342,233	31,749	48,613	69,351	491,946	484,248
Social Services	22,939	223	3,984	467	27,613	27,102
Medical Records	142,646	5,459	19,481	10,474	178,060	179,510
V.A. Clinic	0	921	150,602	2,025	153,548	126,429
Quality Assurance	0	0	0	35	35	35
Total Patient Services	3,400,250	885,084	3,208,728	331,612	7,825,674	7,203,706
GENERAL SERVICES:						
Dietary	131,470	109,470	0	1,667	242,607	244,154
Maintenance	76,507	33,156	56,876	324,580	491,119	457,233
Inviromental Services	211,802	81,168	37,886	5,349	336,205	276,354
Laundry & Linen	0	25,375	117,178	0	142,553	129,063
Total General Services	419,779	249,169	211,940	331,596	1,212,484	1,106,804
ADMINISTRATIVE SERVICES:						
Human Resources	13,944	3,176	0	372	17,492	17,402
Accounting	57,171	386	0	2,530	60,087	63,106
Patient Accounts	125,241	5,776	57,775	17,083	205,875	222,438
Data Processing	17,798	23,145	20,228	25,579	86,750	74,221
Admitting/PBX	99,894	16,414	0	407	116,715	128,824
Administration	265,060	7,128	216,015	290,126	778,329	909,855
Medical Office Building	0	121	0	12,837	12,958	0
Employee Benefits	0	0	0	773,227	773,227	793,746
Insurance	0	0	0	150,321	150,321	149,194
Depreciation	0	0	0	838,567	838,567	768,330
Board	0	0	0	75,935	75,935	76,476
Interest	0	0	0	161,231	161,231	130,328
Bad Debts	0	0	0	1,054,231	1,054,231	662,831
Scholarship Expenses	0	0	0	17,050	17,050	24,250
Total Administrative Services	579,108	56,146	294,018	3,419,496	4,348,768	4,021,001
TOTAL OPERATING EXPENSES	\$ 4,399,137	\$ 1,190,399	\$ 3,714,686	\$4,082,704	\$13,386,925	\$12,331,511

JENNINGS AMERICAN LEGION HOSPITAL, INC.
SCHEDULE OF OTHER OPERATING EXPENSE BY CATEGORY
FOR THE YEARS ENDED NOVEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
OTHER OPERATING EXPENSES:		
Repairs Expense	\$ 55,934	\$ 44,819
Rental/Lease Expense	128,284	107,444
Maintenance Contracts	152,682	119,769
Utilities Expense	377,398	347,340
Travel Expense	65,036	59,243
Seminars Expense	41,131	37,920
Postage Expense	21,640	21,465
Freight Expense	26,460	22,199
Dues and Subscriptions	30,868	32,969
Board Expense	60,875	63,825
Licenses Expense	12,701	6,107
Promotion and Advertising	14,180	10,227
Bank Charges	3,986	2,716
Sales & Use Taxes	84,995	87,943
Miscellaneous	11,906	3,908
Scholarship Expense	<u>17,050</u>	<u>24,250</u>
TOTAL OTHER OPERATING EXPENSES	\$ <u>1,105,126</u>	\$ <u>992,144</u>

FREDERICK, NORTON, ROBERT & SCHULTHESS

CERTIFIED PUBLIC ACCOUNTANTS
(A PROFESSIONAL CORPORATION)

Ronald W. Frederick, CPA
Carl W. Norton, CPA
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Members:

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

Board of Directors

Jennings American Legion Hospital, Inc.

We have audited the financial statements of the Jennings American Legion Hospital, Inc. for the year ended November 30, 1997, and have issued our report thereon dated February 17, 1998.

COMPLIANCE

During our audit we performed certain test of the Jennings American Legion Hospital, Inc.'s compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we did become aware of certain nonmaterial instances of noncompliance as follows:

Condition:

USDA Rural Development regulations and the letter of conditions concerning the Hospital's loan contain certain reporting requirements. The following deficiencies were noted.

1. Audit report was not mail timely.
2. Schedule of insurance was not submitted.
3. The required reserve accounts were not set up timely.
4. List of Directors with compensation and telephone number was not submitted.
5. Operating budget was not submitted.

Action Required or Taken:

Upon notification of these conditions the Controller contacted the Lafayette Office and by February 17, 1998 all deficiencies were corrected.

Recommendation:

We recommend that all required reporting be completed immediately upon receipt of the audit report.

INTERNAL CONTROL

During our audit we considered Jennings American Legion Hospital, Inc.'s internal control over financial reporting in order to determined our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We noted no matters involving the internal control over financial reporting that are required to be reported under Government Auditing Standards. However, we did become aware of the following condition which maybe corrected to strengthen the Hospitals internal control:

Condition:

The staffing of the accounting and administrative offices has been held to bare minimums. Although current staff is sufficient to insure adequate separation of duties, it is not sufficient to insure continuity of certain functions when an employee must be absent from work due to illness, vacations, etc. Having adequate staff to allow replacement of key employees during their absences strengthens internal control. No one person should be so dependent upon that his or her area is never handled by another employee.

Recommendation:

We recommend the hiring of an additional person in the accounting department and as well as a person in the human resources area. Each of these employees could be crossed trained in various areas so that employee absences and fluctuations in job burden could be handled more efficiently.

This information is intended solely for the use of the Board of Directors, and Management of Jennings American Legion Hospital, Inc. and should not be used for any other purpose. However, this letter is a matter of public record, and its distribution is not limited.

Sincerely,



Frederick, Norton, Robert & Schulthess

February 17, 1998